

State of Georgia
**Department of
Banking & Finance**



2020 Annual Report

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State of Georgia
Department of Banking and Finance



ANNUAL REPORT
For Year Ending December 31, 2020

Brian P. Kemp
Governor

Kevin B. Hagler, CEM
Commissioner

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Message from the *Commissioner*

As we entered 2020, concerns of an economic recession that originated in the prior year quickly escalated and by March a global pandemic driven by COVID-19 had disrupted everyone's daily life and caused severe impacts to many segments of our economy. Georgia's financial institutions entered the pandemic with strong capital levels, solid liquidity, and a diverse asset base allowing them to serve as a source of strength during these challenging times. The banks and credit unions of this state quickly engaged with the Small Business Administration to assist with distribution of federal CARES Act funds through the Payroll Protection Program (PPP). By year-end, 174,429 PPP loans totaling \$14,688,047,519 had been distributed to businesses in the state. Georgia's financial institutions were also heavily involved in the distribution of Economic Injury Disaster Loans, they assisted businesses and consumers alike through loan deferments and modifications, and they were the conduits for the economic impact payments consumers relied upon.



While the effects of the pandemic continued to be felt at year's end, state-chartered banks and credit unions headquartered in Georgia remained in solid financial condition. While the number of state-chartered bank declined slightly to 124 due to merger activity, the overall asset level grew to nearly \$133 billion. We welcomed two new banks in Georgia with the opening of Craft Bank, Atlanta, and Classic City Bank, Athens. Likewise, the credit union portfolio saw overall asset levels rise to nearly \$26 billion, with a net increase in the number of charters to 49. We were also excited to welcome Marshland Credit Union, Brunswick, United 1st Credit Union, Kingsland, and Interstate Credit Union, Jesup to the family of state-chartered credit unions during the year.

Our non-depository portfolio continued its trend of strong growth in 2020 with nearly a 20% increase in the number of mortgage loan originator licenses year-over-year. This rapid growth is particularly notable as it comes on top of several recent years of strong growth. The growth in licenses reflects the high volume of mortgage refinance business in Georgia during a time of record low mortgage rates. Mortgage lenders, brokers, loan originators, and registrants totaled 23,625 at the end of the year. The number of licensed money service businesses remained relatively constant throughout the year, with a slight decline in the number of check cashers being offset by an increase in money transmitters and sellers of payment instruments. The increase in money transmitters and sellers of payment instruments reflects growth in the number of fintech companies seeking licensure.

As part of Governor Kemp's efforts to obtain efficiencies and cost savings in state government, the regulation of consumer installment loans of \$3,000 or less ("installment loans") was transferred from the Office of Commissioner of Insurance to the Department (SB 462, Senator Kennedy of the 18th).

Message from the *Commissioner*

Governor Kemp signed the bill into law on June 30, 2020, and it went into effect the very next day.

At a high-level, the bill does not seek to change the general operations of the industry such as the permissible interest rate and charges, the loan cap, or the taxation rate on interest. Instead, it changes the regulatory and administrative processes that apply to the industry. Generally speaking, the bill overlays the regulatory processes that apply to the other non-depository businesses licensed by the Department – residential mortgage businesses and money service businesses – and applies them to the installment lending business.

The Department appreciates the faith placed in it by the Governor and the General Assembly in transferring the regulation of these consumer loans to the Department. In the regulation of non-depository financial institutions, the Department is directed to ensure that licensees operate in compliance with state law, consumer interests are protected, and economic and technological progress takes place in the industry. It is the Department's view that all of these objectives can be achieved if industry, consumer advocates, and the Department are willing to work together to modernize the applicable regulations and the offering of these loans within the State. Everyone at the Department is excited about regulating a new industry and looks forward to partnering with the interested parties to meet the challenge of successfully transferring the program.

In addition to SB 462, the Department's collaborative efforts with representatives of the banking, credit union, and non-depository industry resulted in the enactment of the Department's housekeeping bill (HB 781, Bruce Williamson of the 115th) for the 2020 legislative session. The bill revises statutory provisions related to the majority of entities regulated by the Department – banks, credit unions, trust companies, mortgage lenders and brokers, and money service businesses. Generally speaking, the revisions focus on modernizing the Code and eliminating antiquated requirements or provisions found in Title 7. Of particular interest, the bill revises the legal lending limit for credit unions. The bill ties a credit union's legal lending limit to the net worth of a credit union as opposed to an unusual formula tied to the total deposits of a credit union; a calculation that failed to reflect the true financial condition of the institution. This revision should reduce the number of inadvertent legal lending limit violations committed by credit unions as well as increase the safety and soundness of these institutions.



Kevin B. Hagler, CEM
Commissioner

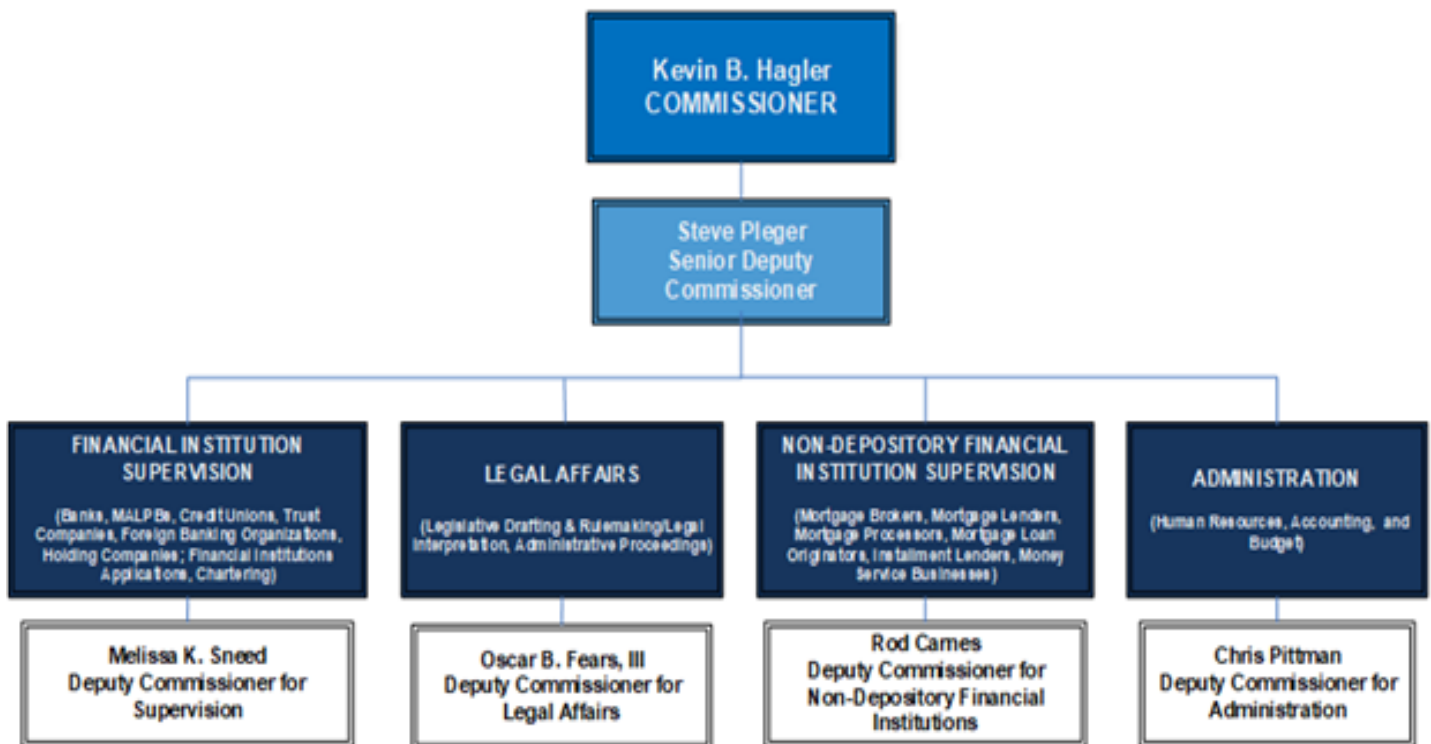
Organizational Structure

The Department of Banking and Finance (Department) is the state agency that regulates and examines Georgia state-chartered banks, holding companies, credit unions, and trust companies. The Department also has responsibility for the supervision, regulation, and examination of merchant acquirer limited purpose banks (MALPBs) chartered in Georgia.

In addition, the Department has regulatory and/or licensing authority over mortgage lenders, mortgage brokers, mortgage processors, and mortgage loan originators, as well as installment lenders, check cashers, sellers of payment instruments, money transmitters, and international banking organizations conducting business in Georgia.

The Department is headed by a Commissioner who is appointed by the Governor to serve a four-year term. Functionally, the Commissioner reports directly to the state's Chief Financial Officer, who reports to the Governor. Commissioner Kevin B. Hagler is assisted by Senior Deputy Commissioner Steve Pleger. The Department's operations are divided along functional lines: Financial Institution Supervision, Non-Depository Financial Institution Supervision, Legal Affairs, and Administration. Each of these divisions is headed by a Deputy Commissioner.

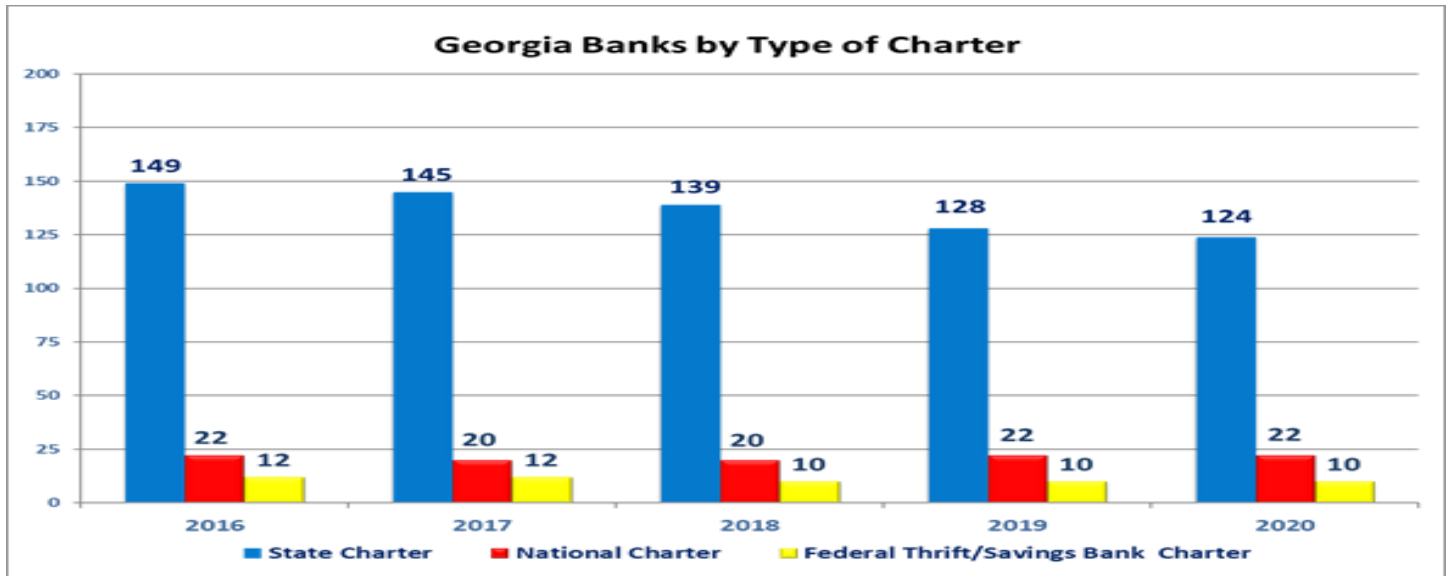
DEPARTMENT OF BANKING AND FINANCE



Financial Institution Supervision

STATE-CHARTERED BANKING STATISTICS

At the end of 2020, the number of Georgia state-chartered banks totaled 124, representing a net decrease of four banks from the previous year. While two new state-chartered banks opened in 2020, the net decrease resulted from six state-chartered banks merging out of existence. A five-year financial performance summary for Georgia state-chartered banks can be found on Page 6 of this Report.



BANK HOLDING COMPANIES

A total of 102 bank holding companies were supervised by, or registered with, the Department at the end of 2020, representing a decrease of four from 106 in the previous year. This decline is attributed to the bank merger activity mentioned above.

TRUST COMPANIES

Trust activities continue to be conducted principally by bank trust departments. There is one state-chartered non-depository trust company in Georgia that is an independent trust company (Reliance Trust Company, Atlanta).

REPRESENTATIVE OFFICES OF BANKS AND BANK HOLDING COMPANIES

A representative office is an office established by a bank, a bank holding company, or an agent or subsidiary of either for the purpose of conducting activities other than a banking business. A representative office is not considered to be a main office or a branch office. There were 51 representative offices registered in Georgia at the end of 2020, an increase of one from the prior year.

FOREIGN BANKING ORGANIZATIONS

Four international representative offices were registered with the Department at the end of 2020. This number is unchanged from the prior year.

Financial Institution Supervision

STATE-CHARTERED BANKING STATISTICS

As shown in the table below, Georgia state-chartered commercial bank assets under supervision remain twelfth in the country by the end of 2020 (savings banks not included in totals below). The table is sorted by total state charter assets and dollar figures are in millions.

State	State Charter	National Charter	All Bank Charters
New York	1,030,118	210,800	1,240,918
California	696,784	300,769	997,553
North Carolina	587,563	2,258,846	2,846,408
Massachusetts	387,169	2,684	389,853
Utah	362,966	390,376	753,343
Illinois	362,784	229,825	592,609
Texas	345,340	167,017	512,356
Alabama	299,006	869	299,875
Tennessee	191,663	6,504	198,167
Missouri	164,820	37,300	202,120
Delaware	159,861	989,924	1,149,785
Georgia	* 132,850	35,489	168,339
Pennsylvania	129,531	105,487	235,018
Arkansas	126,659	7,367	134,026
Virginia	103,669	682,332	786,000
Mississippi	102,545	24,551	127,097
Iowa	94,507	6,071	100,578
Indiana	86,554	31,944	118,498
New Jersey	81,190	54,488	135,678
Washington	71,030	19,788	90,818
Oklahoma	68,062	61,502	129,564
Wisconsin	63,783	55,179	118,962
Ohio	62,951	4,095,484	4,158,435
Colorado	62,745	7,815	70,560
Kentucky	61,359	6,702	68,062
Minnesota	54,440	30,974	85,415
Kansas	54,243	20,780	75,023
Montana	50,651	699	51,350
Hawaii	50,615	782	51,397
Florida	50,035	149,260	199,294
Nebraska	50,003	32,856	82,859
Louisiana	47,064	9,015	56,079
Michigan	44,216	7,942	52,159
Maryland	42,588	1,847	44,435
Arizona	40,291	1,660	41,951
Oregon	34,994	652	35,646
North Dakota	34,622	4,397	39,019
West Virginia	32,817	6,147	38,964
South Dakota	32,490	3,493,074	3,525,565
South Carolina	19,340	2,339	21,679
Nevada	14,139	22,974	37,113
New Mexico	13,164	444	13,608
Rhode Island	9,038	183,366	192,404
Wyoming	8,726	1,639	10,364
Idaho	7,799	-	7,799
Maine	5,895	7,200	13,096
Connecticut	5,623	97,485	103,108
Alaska	3,175	4,695	7,871
New Hampshire	2,833	-	2,833
Vermont	1,430	2,170	3,600

* One merged bank filed a yearend Call Report.

Source: FDIC Quarterly Banking Profile

Financial Institution Supervision

State-Chartered Bank Financial Summary

<i>(dollar figures in millions)</i>	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
<i>Number of banks reporting</i>	125**	128	138*	145	149
AGGREGATE CONDITION AND INCOME DATA					
Net income	1,269	1,394	4,148	3,298	2,890
Total assets	132,850	113,636	308,305	298,192	293,224
Earning assets	122,441	104,335	280,275	269,530	267,437
Total loans & leases	91,293	83,412	225,372	216,061	214,126
Other real estate owned	105	170	339	424	640
Total deposits	114,831	93,682	248,492	246,303	240,448
Equity capital	14,402	13,681	35,651	34,789	33,428
PERFORMANCE RATIOS (YTD, %)					
Yield on earning assets	4.06	4.98	4.14	3.73	3.51
Cost of funding earning assets	0.49	0.90	0.57	0.35	0.27
Net interest margin	3.56	4.08	3.58	3.38	3.24
Noninterest income to avg. earning assets	1.10	0.90	1.34	1.47	1.48
Noninterest expense to avg. earning assets	2.78	2.93	2.93	2.93	2.92
Net charge-offs to loans & leases	0.20	0.14	0.20	0.23	0.28
Credit-loss provision to net charge-offs	349.33	152.28	77.36	106.72	91.84
Net operating income to average assets	0.96	1.34	1.39	1.15	1.02
Retained earnings to average equity	2.44	6.10	3.94	3.99	3.03
Return on assets	1.03	1.34	1.39	1.12	1.02
Return on equity	9.09	11.39	11.97	9.72	8.62
Percent of unprofitable institutions	4.80	4.69	4.35	9.66	10.07
CONDITION RATIOS (%)					
Net loans and leases to assets	67.74	72.81	72.35	71.63	72.19
Loss allowance to:					
Loans and leases	1.42	0.81	1.03	1.14	1.14
Noncurrent loans and leases	239.62	136.02	85.31	92.20	87.70
Noncurrent loans & leases to					
total loans & leases	0.59	0.60	1.20	1.23	1.30
Nonperforming assets to total assets	0.49	0.59	0.99	1.03	1.17
Core deposits to total liabilities	87.92	80.05	83.99	87.33	86.99
Equity capital to total assets	10.84	12.04	11.56	11.67	11.40
Core capital (leverage) ratio	9.56	10.46	10.14	10.03	9.82
Total capital to risk-weighted assets	N/A	13.62	12.82	13.07	12.74

*One self-liquidating bank did not file a yearend Call Report.

Source: FDIC Quarterly Banking Profile

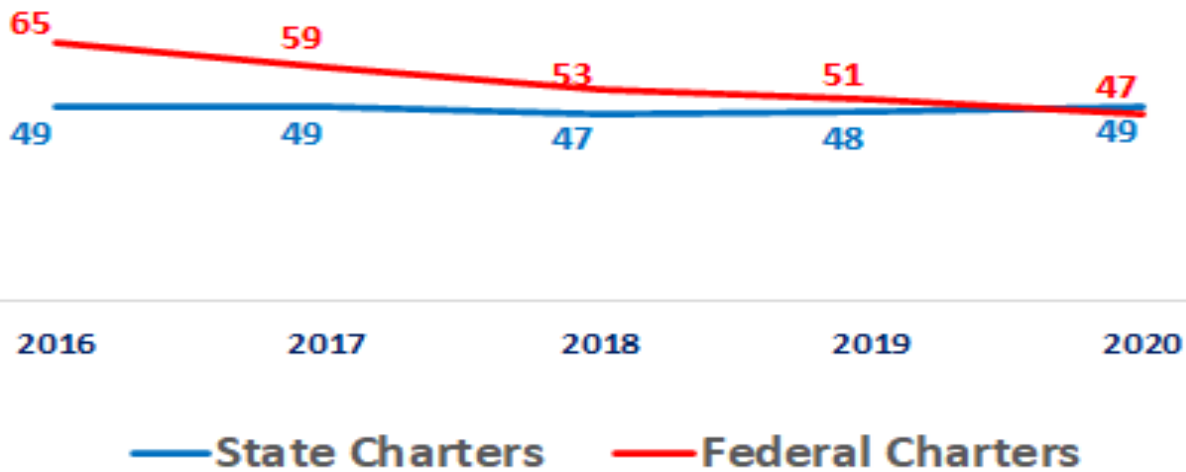
** One merged bank filed a yearend Call Report.

Financial Institution Supervision

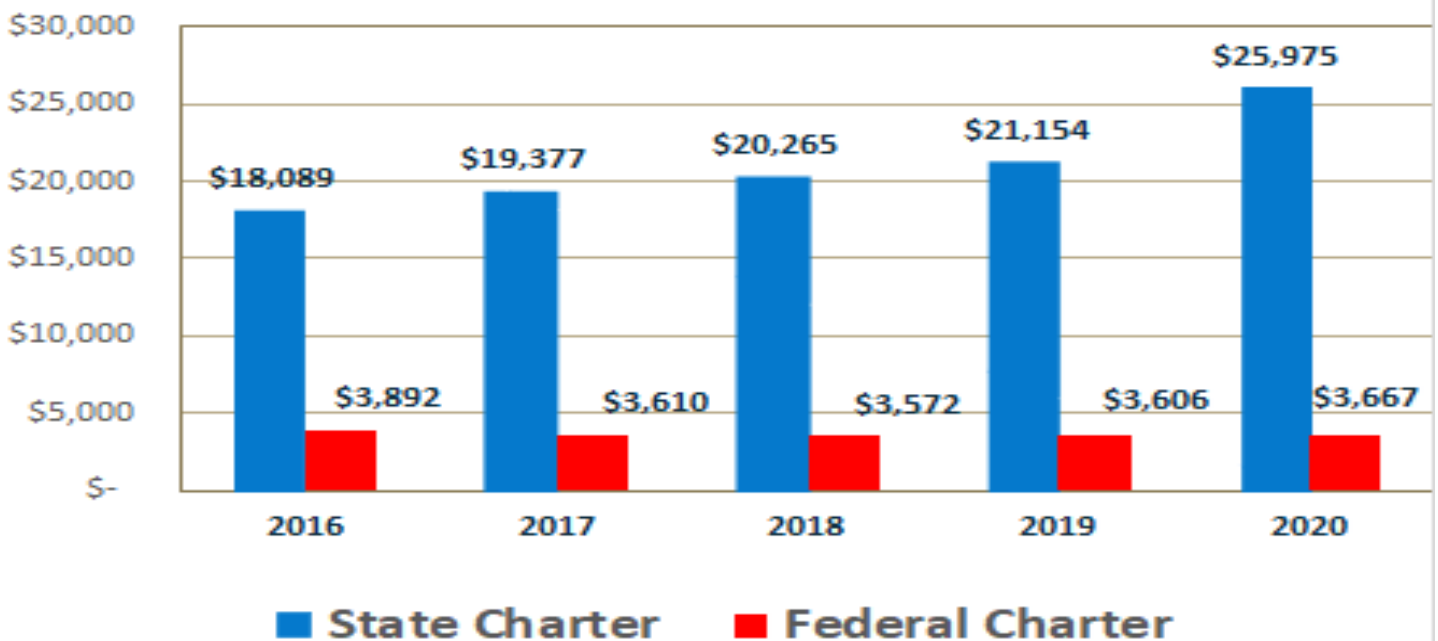
STATE-CHARTERED CREDIT UNION STATISTICS

The number of Georgia state-chartered credit unions increased by one to a total of 49 and state-chartered credit union assets grew by roughly \$4.8 billion to a total just under \$26 billion at the end of 2020. The number of state-chartered credit unions now exceeds the number of federal-chartered credit unions in Georgia. A five-year financial performance summary for Georgia state-chartered credit unions can be found on Page 8 of this Report.

Georgia Credit Unions by Charter Type



Georgia Credit Union Assets by Charter Type (dollar figures in millions)



Financial Institution Supervision State-Chartered Credit Union Financial Summary

Financial Institution Supervision State-Chartered Credit Union Financial Summary

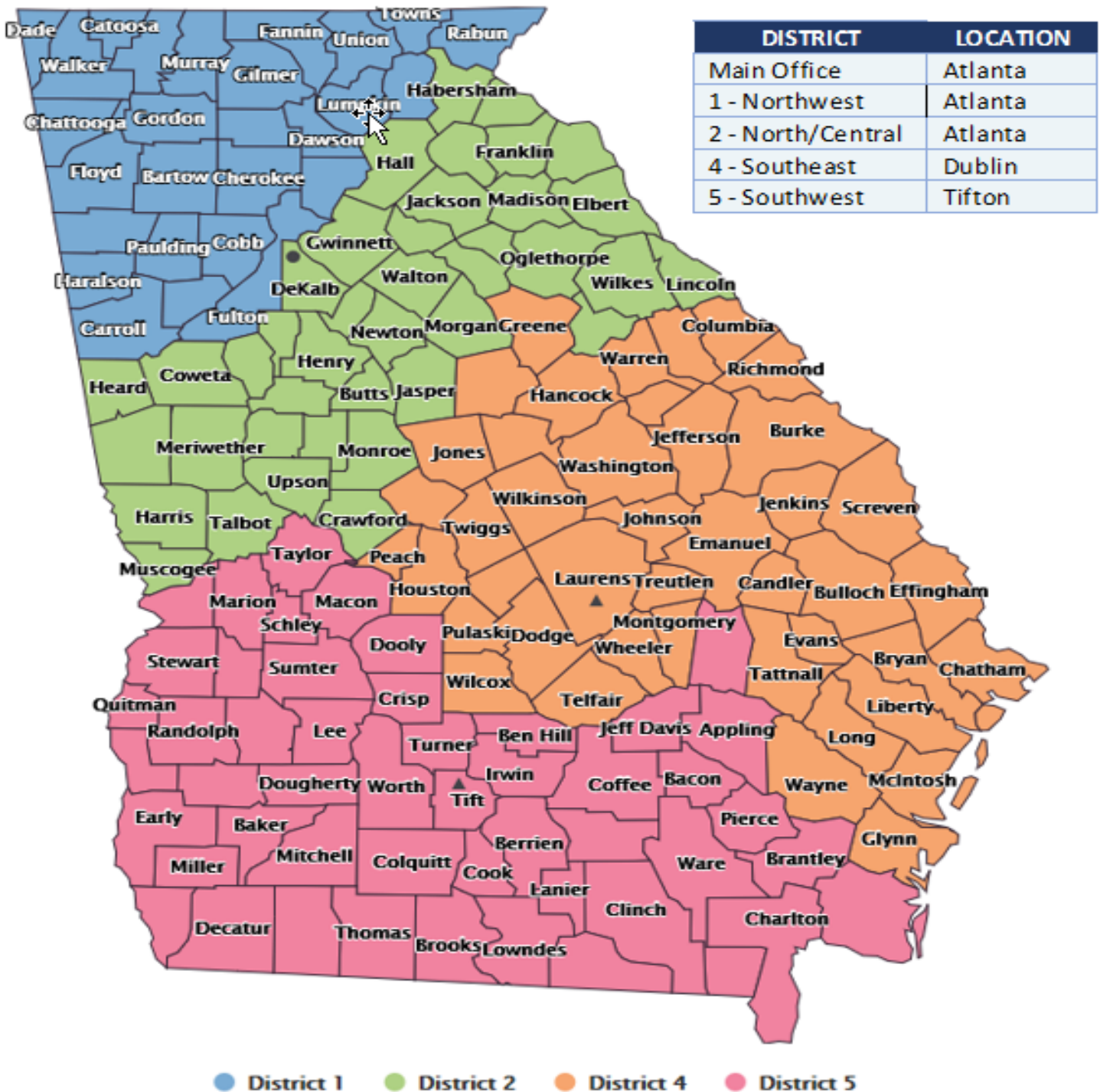
<i>(dollar amounts in millions)</i>	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Number of institutions reporting	49	48	47	49	49
ASSETS					
Cash & Equivalents	4,203	1,716	1,199	1,382	1,142
Total Investments	4,463	2,889	3,082	3,216	3,709
Total Loans	16,288	15,609	15,052	13,933	12,458
(Allowance for Loan & Lease Losses)	(165)	(118)	(95)	(102)	(89)
Land And Building	281	254	245	243	233
Other Fixed Assets	87	85	69	64	43
NCUSIF Deposit	198	169	166	157	145
All Other Assets	620	550	547	484	447
TOTAL ASSETS	25,975	21,154	20,265	19,377	18,088
LIABILITIES & CAPITAL					
TOTAL LIABILITIES	5,073	3,724	432	466	409
TOTAL SHARES & DEPOSITS	22,986	18,383	17,290	16,561	15,491
Regular Reserve	243	239	239	238	236
Other Reserves	67	9	(30)	(26)	(22)
Undivided Earnings	2,679	2,523	2,334	2,138	1,975
TOTAL EQUITY	2,989	2,771	2,545	2,350	2,188
TOTAL LIABILITIES, SHARES, & EQUITY	25,975	21,154	20,265	19,377	18,088
INCOME & EXPENSE					
Loan Income	710	695	625	553	489
Investment Income	65	92	79	65	59
Other Income	332	322	311	275	253
Total Employee Compensation & Benefit	390	361	324	299	272
Temporary Corporate CU Stabilization Expense & NCUSIF Premiums	-	-	-	-	-
Total Other Operating Expenses	362	350	337	298	267
Non-operating Income & (Expense)	13	10	8	5	1
Provision for Loan/Lease Losses	128	72	75	81	57
Cost of Funds	122	128	98	71	61
NET INCOME (LOSS) w/o STABILIZATION EXPENSE & NCUSIF PREMIUM	118	208	189	149	145
NET INCOME (LOSS)	118	208	189	149	145

Source: NCUA Financial Performance Reports

Financial Institution Supervision Examination Districts and Work Areas

Financial Institution Supervision

Examination Districts and Work Areas



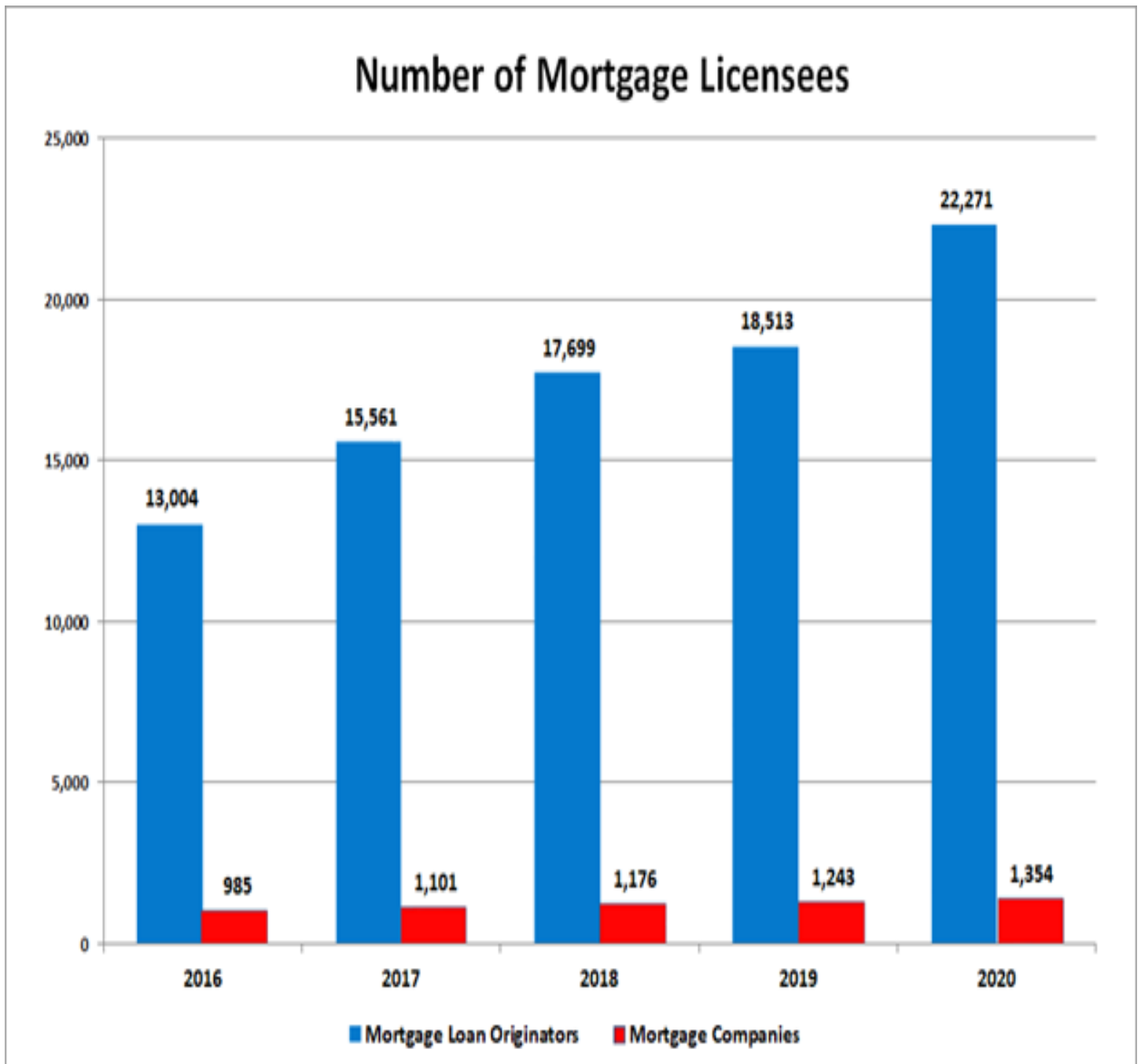
The above map is primarily for the purpose of exhibiting geographical district boundaries based on current institution assignments. However, some districts may have institutions assigned in other areas of the state due to multibank holding companies and/or district workload and scheduling issues. **Note:** District 3 was merged into Districts 1 and 2 on December 31, 2010.

Non-Depository Financial Institution Supervision

MORTGAGE LICENSEE AND REGISTRANT STATISTICS

Article 13 of Chapter 1 of Title 7 of the Official Code of Georgia Annotated (O.C.G.A.) requires all persons who transact business as a residential mortgage lender, broker, processor or loan originator be licensed or registered with the Department, unless they are exempt.

At the end of 2020, active mortgage licensees and registrants totaled 23,625, representing a net increase of 3,869 or roughly 20 percent from the previous year. The year-over-year increase is largely due to heightened demand for mortgage loan originator licenses, which reflects the continuation of a longer-term trend.



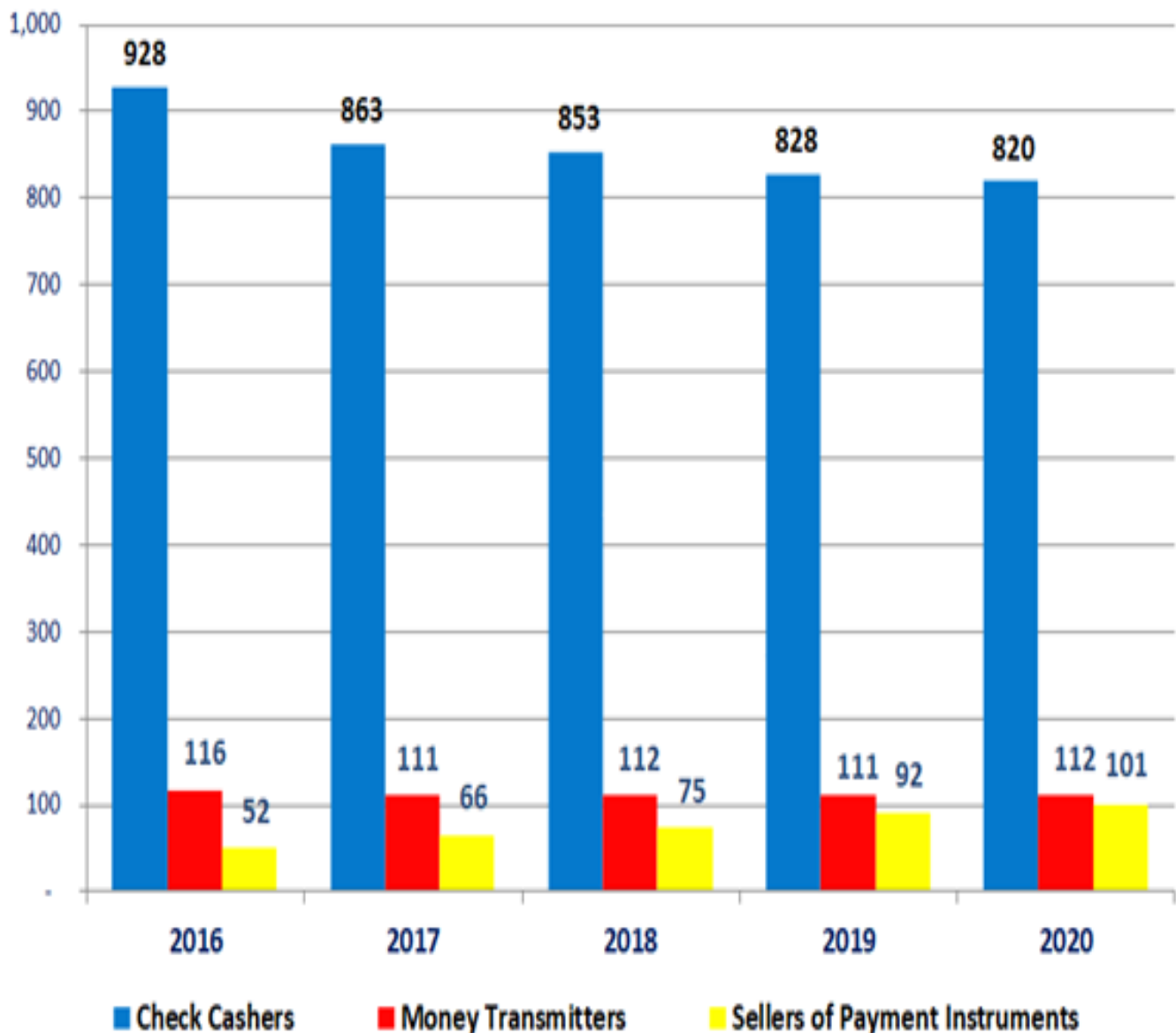
Non-Depository Financial Institution Supervision

MONEY SERVICE BUSINESSES STATISTICS

Unless otherwise exempt, anyone that engages in the cashing of payment instruments for a fee must be licensed by the Department under Article 4A of Title 7 of the O.C.G.A. Unless otherwise exempt, anyone that engages in the sale of payment instruments or money transmission must be licensed by the Department under Article 4 of Chapter 1 of Title 7 of the O.C.G.A.

At the end of 2020, the number of money service businesses (MSB) licensed by the Department totaled 1,033, a net increase of two licensees from the previous year.

Number of Money Service Businesses Licensed

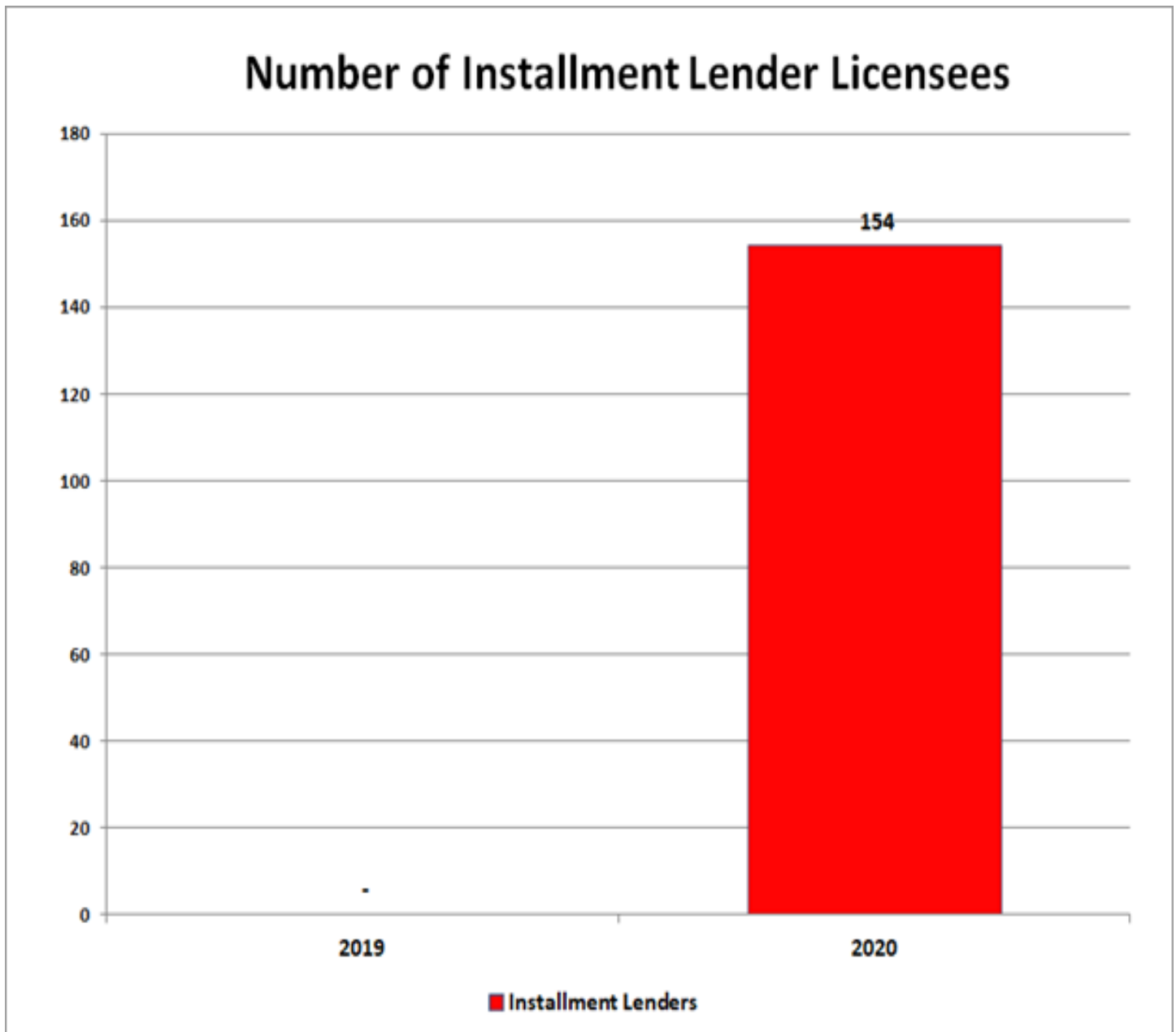


Non-Depository Financial Institution Supervision

INSTALLMENT LENDER STATISTICS

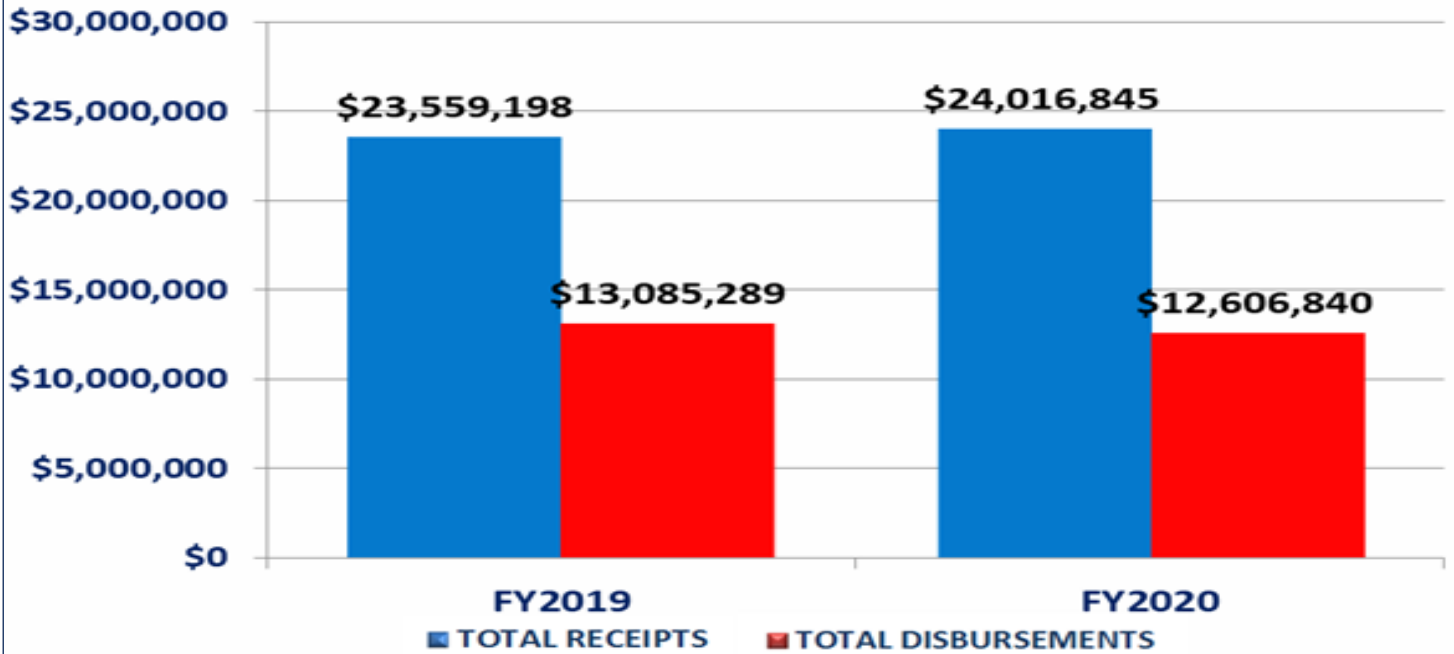
Governor Kemp signed Senate Bill 462 into law on June 30, 2020, and it went into effect on July 1, 2020. The bill transferred the regulation of consumer installment loans of \$3,000 or less from the Office of the Insurance Commissioner to the Department. Generally speaking, the bill overlays the regulatory processes that apply to the other non-depository businesses licensed by the Department and applies them to the installment lending business. The primary motivation in transferring the regulation of installment loans to the Department was to obtain efficiencies in the regulation of the industry and, as a result, the bill makes numerous statutory changes. Installment lenders are licensed and subject to regulation by the Department under Chapter 3 of Title 7 of the O.C.G.A.

At the end of 2020, the number of installment lenders licensed by the Department totaled 154.

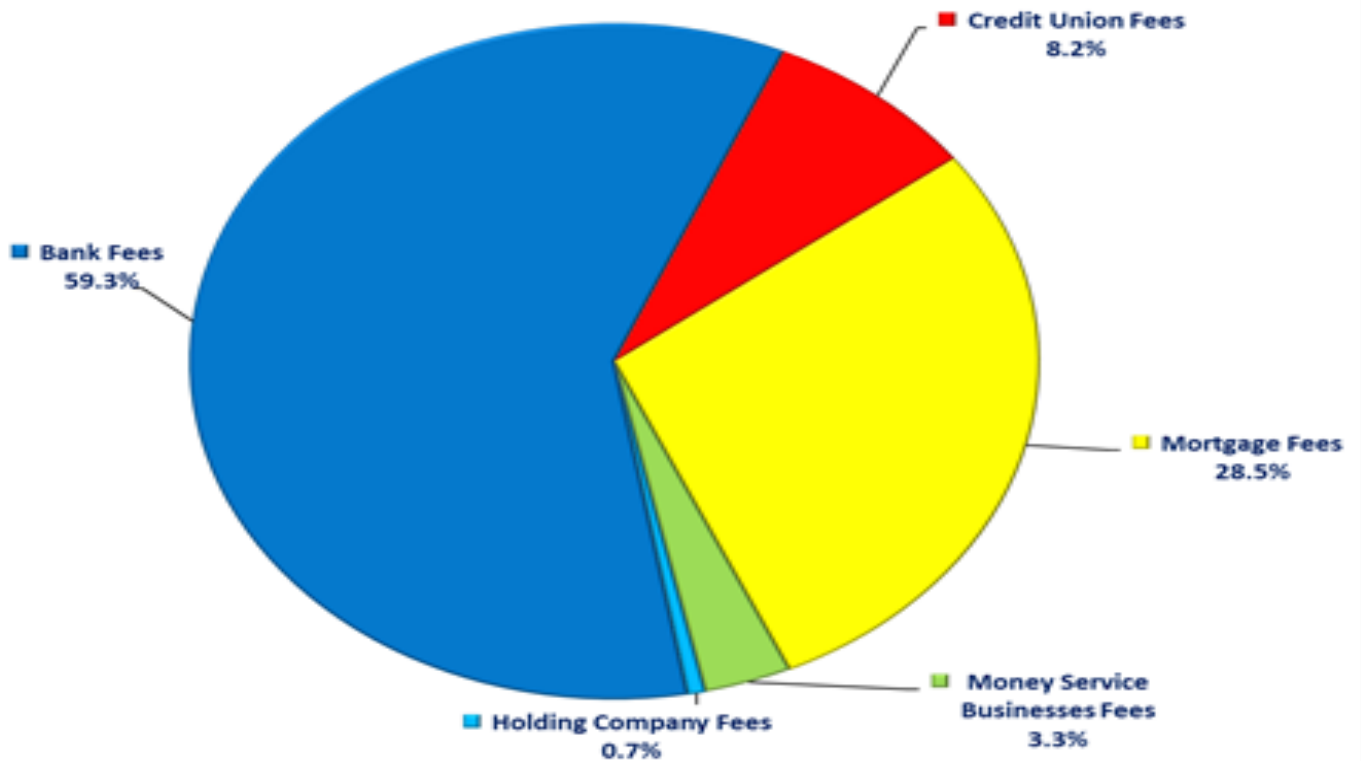


Administration

FISCAL YEAR 2020 RECEIPTS AND DISBURSEMENTS



FY2020 Revenues Collected



NOTE: Revenues of the Department are collected and remitted to the Office of the State Treasurer. The level of the Department's expenditures is subject to the state's budgetary process.

SUMMARY OF ACTIVITIES

FOR STATE-CHARTERED FINANCIAL INSTITUTIONS AND OTHER ENTITIES REGULATED BY, LICENSED BY, OR REGISTERED WITH THE DEPARTMENT OF BANKING AND FINANCE DURING 2020

FINANCIAL INSTITUTION, REGISTRANT, OR LICENSEE	Totals 12/31/2019	Opened Registered Licensed	Converted	Merged	Closed Liquidated Deregistered	Totals 12/31/2020
BANKS	128	2	0	-6	0	124
TRUST COMPANIES	1	0	0	0	0	1
MALPBS	0	0	0	0	0	0
CREDIT UNIONS	48	0	3	-2	0	49
BANK HOLDING COMPANIES (Supervised and/or Registered)	106	0	0	-4	0	102
SELLERS/ISSUERS OF PAYMENT INSTRUMENTS	92	16	0	0	-7	101
MONEY TRANSMITTERS	111	11	0	0	-10	112
CHECK CASHERS	828	77	0	0	-85	820
INTERNATIONAL BANK AGENCIES	0	0	0	0	0	0
INTERNATIONAL BANKING FACILITIES	0	0	0	0	0	0
INTERNATIONAL BANK REPRESENTATIVE OFFICES	4	0	0	0	0	4
REPRESENTATIVE OFFICES	50	1	0	0	0	51
INSTALLMENT LENDERS	0	154	0	0	0	154
MORTGAGE BROKERS, LENDERS, REGISTRANTS AND ORIGINATORS	19,756	7,222	0	0	-3,353	23,625

Benefits of the State Charter

§ Local, Responsive, and Timely Decision Making

State-chartered financial institutions have access to local decision makers in Georgia who are familiar with their unique marketplace and competitive environment. Decision makers in our Atlanta office and in field offices located around the state are easily reached for timely responses to questions and concerns from state-chartered institutions.

§ Local Community and Market Knowledge

Examination staff live in the districts where they work and are familiar with the local markets and communities. The Department's culture promotes decision-making by staff that have first-hand knowledge of your financial institution but with quick access for escalation to the Commissioner, when necessary, to ensure responsive and timely action on issues of concern to you.

§ Effective Regulation and Supervision

The Commissioner believes that all financial institutions deserve right-sized regulation and supervision scaled to their size, complexity, and risk profile. The Department is nationally accredited through the *Conference of State Bank Supervisors (CSBS)* and the *National Association of State Chartered Credit Union Supervisors (NASCUS)* to ensure that "best practice" regulation and supervision principles are implemented. Supervisory activities of the Department are conducted in coordination with federal and other state regulators, as applicable, through joint examinations and interstate cooperative agreements to deliver a seamless supervisory experience that minimizes duplication and regulatory burden.

§ Efficient Regulation and Supervision

Annual regulatory fees and assessments to cover costs of the Department's regulation and supervision activities are typically far less than those charged to comparable federally-chartered financial institutions.

§ Powers Comparable or Superior to Federal Charters

State-chartered financial institutions frequently enjoy powers that equal or exceed those available to federally-chartered financial institutions. To maintain competitiveness of the state charter, the Department routinely assesses laws and regulations, in coordination with the industry and our federal regulatory peers, to identify opportunities to expand powers or reduce unnecessary regulatory burden. O.C.G.A. §§ 7-1-296 and 7-1-671 provide that a state-chartered bank or credit union may exercise any power available to a similar federally-chartered financial institution so long as the bank or credit union provides advance notice and the Department offers no objection to the exercise of such power.

Firm, but fair, right-sized regulation and supervision are guiding principles for promoting safe, sound, competitive

financial services in Georgia.



Our Mission is to promote safe, sound, competitive financial services in Georgia through innovative, responsive regulation and supervision.

Our Vision is to be a willing and able partner with our regulated entities in order to support vibrant economic growth and prosperity in Georgia.

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DEPARTMENT OF
BANKING AND FINANCE

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